



Memorandum

California Public Employees' Retirement System

Date: November 30, 2005

From: Christy Wood,
Senior Investment Officer, Global Equity

Subject: October 13, 2005 Meeting with ABB - Sudan Activities
(The following summarizes remarks made by representatives of ABB.)

Investor Attendees:

Bill Atwood – Executive Director Illinois
Mark Anson – Chief Investment Officer, CalPERS
Christy Wood – Senior Investment Officer, CalPERS
Don Kirshbaum – Investment Officer-Policy, Connecticut
Treasurer's Office
Susan Sweeny – Chief Investment Officer, Connecticut
Treasurer's Office
Shelagh McClure – Compliance Officer, Connecticut
Treasurer's Office
Julie Gresham – Assistant Comptroller, New York State
Comptroller's Office

ABB Attendees:

Gary Steel – Vice President, Member of the Group Executive
Committee
Ron Popper – ABB Group Corporate Communications, Corporate
Social Responsibility
Bruce Talley – Public Affairs, ABB Washington
Anders Nordstrom – ABB Sustainability Affairs, Africa
Specialists
John Chironna – Head of ABB Investor Relations, US
Trina Foster – Head of ABB Corporate Communications, US
Professor Alan Miller – Non-ABB, independent Advisor,
Director McGrigor Rights (International Human Rights
Consultancy)

Overview of Business Activities

ABB provided an overview of ABB's philosophy pertaining to its business in Sudan. They believe they are a force for good and a company that is "human rights aware." They believe things are improving in Sudan and that it is not the time to withdraw. ABB provides electricity in Sudan which is directly correlated to improvement in standards of education and health care.

ABB's work in Sudan is limited to power transmission from a dam at Merowe to Khartoum, Port Sudan and a resort on the Nile. They also sell flow control systems in the Heglig oil field in the south of the country. They also sell low-voltage products through distributors. Currently ABB has only one employee on the ground in Sudan. They have no capital invested in the Sudan. On the Merowe Dam project the customer is the National Electricity Corporation. The customer in the Heglig oil fields is the Greater Nile Petroleum Operation Company. Both of these customers involve the Sudan government. ABB has no operations or involvement in Darfur.

Overview of Peace Prospects

ABB believes there has been considerable progress over the past year in the North /South conflict in spite of setbacks. A Comprehensive Peace Agreement (CPA) was signed in January of 2005 ending a 21 year civil war. CPA splits oil revenues, government posts and jobs between the North and South. The new government was sworn in in September 2005 and was delayed by the death of John Garang. Considerable work remains to implement the CPA. In Darfur where ABB does not operate there are signs of progress amid continuing violence. Positive signals include a first round of peace talks in Abuja, Nigeria taking place in October, 2005. African Union and U.N. Peacekeepers on the ground and the International Criminal Court is investigating war crimes.

ABB is engaging in a Sudan stakeholder dialogue. ABB contends that Amnesty International Business Group recommends that companies doing business in sensitive countries should not withdraw. This could not be confirmed by staff's calls to Amnesty International. ABB is organizing a stakeholder forum in Khartoum in November to include the Sudanese government, non-governmental organizations (NGO's), the United Nations and the British Council. In addition, ABB says they are engaging the Sudanese government, the Ministry of Labor, Investors and the Business Leaders Initiative on Human Rights (BLIHR). ABB states that none of the stakeholders on the ground have called on ABB to halt its business activities or withdraw from Sudan.

Conclusion

ABB says there are signs of progress. They cite that courts are beginning to hold people accountable for genocide. In addition, within the next few months there will be a Human Rights Commission established as well as an International Court Prosecutor to report to the U.N. Further, ABB's case is that mere presence does not make them complicit in human rights abuses.

Follow-up

Staff requested additional detail on ABB's dialogue with NGO's such as "Save the Children," CARE, "Amnesty International" as well as their local independent sources that ABB contends support ABB's on-going presence in Sudan. ABB replied that these meetings were held between August 20-23 and October 1-4 in Khartoum with NGO's, United Nations officials, other companies and diplomats. ABB could provide details but stated that these conversations are very sensitive in nature and that they will keep us abreast of the progress of a stakeholder forum set to take place in the first quarter of 2006. Staff contacted Amnesty International and was not able to confirm such meetings or that Amnesty International supported ABB's ongoing presence in Sudan.